



**Third Meeting
December 08, 2010
Minutes**

Secretary's Conference Room
U.S. Department of Commerce
Washington, DC 20230

Members Present: **Mary Sue Coleman**, *University of Michigan (Co-Chair)*, **Desh Deshpande**, *Sparta Group, AI23 Systems, Sycamore Networks (Co-Chair)*, **Tom Alberg**, *Madrona Venture Group*, **James Andrew**, *Boston Consulting Group*, **Claude Canizares**, *Massachusetts Institute of Technology*, **Curtis Carlson**, *SRI International*, **Robin Chase**, *Meadow Networks*, **Marcelo Claire**, *Brightstar*, **Michael Crow**, *Arizona State University*, **Ping Fu**, *Geomagic*, **Barron Harvey**, *Howard University*, **Krisztina Holly**, *University of Southern California*, **Ray Leach**, *JumpStart*, **Ken Morse**, *ESADE Business School*, **G.P. "Bud" Peterson**, *Georgia Institute of Technology*, **Michael Roberts**, *The Roberts Companies*, **RoseAnn Rosenthal**, *Ben Franklin Technology Partners of SE PA*, **Carl Schramm**, *Kauffman Foundation*, **Charles Vest**, *National Academy of Engineering* **Jeffrey Wadsworth**, *Battelle*.

Members Absent: **Steve Case**, *Revolution (Co-Chair)*, **Tom Baruch**, *CMEA Capital*, **Christina Gabriel**, *Carnegie Mellon University*, **Holden Thorp**, *University of North Carolina at Chapel Hill*.

Administration Officials Present:

Department of Commerce:

Gary Locke, Secretary of Commerce

David Kappos, Under Secretary of Commerce for Intellectual Property and Director of USPTO

John Fernandez, Assistant Secretary of EDA

Patrick Gallagher, Director of NIST

Other Administration Officials:

Karen Mills, Administrator, SBA

Sean Greene, Associate Administrator for Investment & Special Adviser for Innovation, SBA

Ginger Lew, Senior Advisor, NEC

Karina Edmonds, Technology Transfer Coordinator, DOE

Jonah Czerwinski, Senior Advisor to the Secretary & Director of VA Innovation Initiative, VA

Staff: **Paul J. Corson**, **G. Nagesh Rao**, and **Robert Sienkiewicz**

Public Attendance (via teleconference):

The National Council on Innovation and Entrepreneurship (NACIE) convened in open session via an in-person meeting with public access via teleconference at 9:00AM with Secretary Locke, Mary Sue Coleman, and Desh Deshpande presiding.

(Due to an equipment malfunction, the teleconference was unavailable from approximately 9-9:30am.)

Welcome and Opening Remarks

Acting Director for the Office of Innovation and Entrepreneurship, Paul J. Corson called the meeting to order and introduced Secretary Locke, SBA Administrator Mills, Under Secretary Kappos, Director Gallagher and Assistant Secretary Fernandez.

Secretary Locke thanked Co-Chairs Deshpande and Coleman, acknowledging their continued efforts and contributions. He praised the Council's progress since it first convened in Sept, emphasized the critical importance of innovation and entrepreneurship to the nation's economy, and noted his desire for continued dialogue.

Administrator Mills addressed the group next and provided an outline of SBA products and services that facilitate the establishment, funding and growth of entrepreneurial concerns. She noted the role government services like those offered by SBA play in facilitating job creation and long-term, sustainable business and economic growth. Administrator Mills emphasized to the Council, their role in ensuring that the best ideas were brought to light for review and action by the government.

Sub-Committee Report Outs

Desh Deshpande and Mary Sue Coleman acknowledged the quality and range of ideas expressed during the previous two meetings and outlined the process and rationale for identifying three formal sub-committees on Capital, Collaboration, and Celebration. They also noted sub-committee leadership roles before moving on to sub-committee read outs.

Capital Sub-Committee Report Out (Co-Chaired by Desh Deshpande and David Kappos)

Desh Deshpande indicated the sub-committee was considering a review of two areas of significant importance and concern to investors in innovation-based, high-growth entrepreneurial endeavors – early-stage and growth-stage access to capital. Specifically, he expressed the committee's interest in 1) tax policies that provide incentives and disincentives to Angel and other early-stage investors; and 2) regulatory policies that impact a company's ability to access growth capital via initial public offerings.

In open discussion, Tom Alberg reemphasized the importance of both sources of capital, while noting disfunctionality in both markets and the impact Sarbanes-Oxley legislation has had on start-up formation. He suggested the potential need to "re-engineer" the legislation to make it easier for high-potential companies to access capital markets. Curtis Carlson and Jeffrey Wadsworth called

for discussion on how to remove these various “roadbumps,” which aggregate over time and dissuade company growth and expansion.

Under Secretary Kappos emphasized the interdependency of entrepreneurship, innovation and manufacturing, noting the importance of both theoretical discovery and market applications. Desh echoed similar sentiment and mentioned MIT’s “Made in America” project, which Charles Vest discussed further from his perspective as the former President of MIT.

Collaboration Sub-Committee Report Out (Co-Chaired by Mary Sue Coleman and Patrick Gallagher)

Mary Sue Coleman indicated the sub-committee was considering short-term action on a joint request by the White House Office of Science and Technology Policy and the National Economic Council. They had asked the sub-committee to spearhead an initiative in direct response to an idea generated at Secretary Locke’s first forum on University Technology Commercialization. The initiative would include identifying stretch goals for the nation in technology commercialization, as well as garnering commitments from university presidents, industry representatives, not-for-profit and philanthropic organizations to take steps in pursuit of these goals.

Mary Sue also identified several additional items for possible longer-term consideration, including the regulatory environment affecting universities, domestic manufacturing, entrepreneurship education, the identification, development and retention of entrepreneurial talent (including immigration reforms), and university collaboration with public and private partners.

In open discussion, Robin Chase stressed the importance of a national focus on STEM education, as well as the need to empower teachers to emphasize entrepreneurship and innovation as a core component students’ life. In stressing NACIE’s potential role in driving policy development, she noted a recent NY Times article regarding culture and embracement of education and higher learning in STEM based curriculum from a pre-K to 12th grade (<http://www.nytimes.com/2010/12/07/education/07education.html>).

Director Gallagher stressed the importance of understanding how innovations born out of research at federal labs and universities contribute to regional economic development. He noted efforts underway to benchmark the nation’s current capabilities and develop appropriate metrics beyond just the number of patents and licensing agreements concluded.

Secretary Locke cited the “1000 pitches” event at the University of Michigan as a great example of a program that can be utilized to foster and instill a collaborative culture from the student level. Members discussed whether a similar National program could be created along the lines of the Intel Science fair competition, but focused on commercializing innovations.

Celebration Sub-Committee Report Out (Co-Chaired by Steve Case and John Fernandez)

On behalf of Steve Case, who was unable to attend, Ray Leach indicated the sub-committee was considering three primary ideas: a redesign the “entrepreneurship.gov” website, a national awards/recognition program, and mechanisms to increase engagement and interaction among individuals at local, regional and national levels.

Assistant Secretary Fernandez commended the group for their initiative. He discussed how the sub-committee's work, as well as that of the full Council dovetailed with EDA's focus on local and regional engagement, and the development of regional innovation clusters, and improved service provision to make interacting with the government easier for entrepreneurs.

Paul Corson thanked Secretary Locke and Administrator Mills for their participation, and then called for a fifteen minute break.

External Briefings

Paul Corson reconvened the open session and introduced Erica Fuchs.

Erica Fuchs (Carnegie Mellon University)

Professor Fuchs spoke on the implications of offshore manufacturing for domestic innovation and competitiveness. She offered two case studies, one related to automotive manufacturing and the other related to photonic semiconductors. Professor Fuchs explained that in both of these cases one impact of the firms manufacturing abroad was a reduction in their incentives and capabilities to develop emerging, cutting-edge technologies. Although next generation technologies were the most cost-effective solution if the firms were manufacturing domestically, current or older generation technologies were more cost-effective if manufacturing operations were instead overseas. Thus, the loss of domestic manufacturing operations, according to Professor Fuchs' research, may in certain cases have negative consequences for U.S. development of innovative technologies and products.

Professor Fuchs suggested NACIE may consider how public policies pertaining to domestic manufacturing could incentivize additional technology commercialization and entrepreneurial activity. Particularly important may be policies to support manufacturing, technology development, and commercialization activities by early-stage, high-technology, small and medium sized enterprises.

Karina Edmonds (Department of Energy)

Dr. Edmond's noted that she is the first full-time Technology Transfer Coordinator appointed to that position, and that prior to her appointment, the Department's 17 labs and multiple production facilities did not have a single point of contact at HQ to address technology transfer issues outside of the General Counsel's office. She spoke of a concerted effort to revamp the Department's licensing practices to facilitate company formation based on technologies developed at DOE labs. Dr. Edmonds encouraged NACIE to include the practices of federal labs in their study of how to increase the nation's efficiency and effectiveness at commercializing federally funded research. In her view, NACIE may be able to recommend ways to address stakeholder concerns about the complexity, responsiveness and bureaucratic nature of working with federal labs.

Dr. Edmonds noted that federal labs could serve as a significant source of commercializable technology and could play a crucial role in regional innovation ecosystems that DOC is promoting. Similar to universities, she stressed that multiple goals, rather than simply revenue generation, should be considered by federal labs, including the number of technologies that reach the marketplace and their impact on firm and job creation.

Jonah J. Czerwinski (Department of Veteran Affairs)

Director Czerwinski explained how the Department of Veteran Affairs (VA) launched the VA Innovation Initiative (VAi2) to identify, invest in, and evaluate innovations from industry, academia, and the nearly 300,000 VA employees in order to address 21st century challenges facing the VA. Through the efforts of the VAI2 program, VA endeavors to stay on the cutting edge of health care delivery; lay the foundation for safe, secure, and authentic health record interoperability; deliver excellent service for Veterans who apply for disability and education benefits; and create a modern, efficient, and customer-friendly interactions with all Veterans.

Director Czerwinski further explained how VAI2 invites employees, private sector companies, entrepreneurs, and academic leaders to contribute their best ideas for innovations that increase Veterans' access to VA services, improve the quality of services delivered, enhance the performance of VA operations, and reduce or control the cost of delivering those services that Veterans and their families receive. More information can be found at va.gov/VAi2.

Conclusion

In closing, Paul Corson thanked everyone for their hard work and time. He closed the public portion of the meeting at 12:00pm.